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ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

2008 AUG 12 A 11:44

Arizona Corporation Commission

DOCKETED

AUG 12 2008

MIKE GLEASON, Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE

AZ CORP COMMISSION
DOCKET CONTROL

DOCKETED BY

mn

IN THE MATTER OF THE APPLICATION OF) DOCKET NO. G-02527A-08-0360
GRAHAM COUNTY UTILITIES, INC. FOR)
APPROVAL OF PURCHASED GAS ADJUSTOR) **AMENDED APPLICATION**
SURCHARGE) **FOR SURCHARGE**

On July 16, 2008, Graham County Utilities, Inc. ("GCU") filed an application with the Arizona Corporation Commission (the "Commission") to approve a new Purchase Gas Adjustor ("PGA") surcharge of \$0.345 per therm to be effective September 1, 2008. Graham hereby amends its application to request the Commission approve a new PGA surcharge of \$0.18 per therm as explained further below. The new PGA surcharge is necessary in order to allow for the recovery of the PGA bank balance that exists and continues to grow. In support hereof, GCU states as follows:

I. THE GCU GAS PGA.

The GCU PGA was authorized by the Commission to ameliorate the impact of volatile natural gas prices on both the customer and the utility. The GCU PGA was most recently reviewed and a surcharge approved in Decision No. 68298 (November 14, 2005). GCU's current base cost of purchased gas is \$0.59056 per therm. Its PGA rate as of June 2008 was \$0.18324 per therm. GCU's base cost of gas plus its PGA adjustor is equal to a total of \$0.77380 per therm.

GCU's Gas Division cannot afford to absorb the increases in the gas prices, even for a

1 short period of time. Without the requested PGA surcharge, the PGA under-collected bank
2 balance will grow from approximately \$17,000 to \$520,000 by September 2009 as shown on
3 Exhibit A attached to this application. GCU submits that, given the forecasted under-collected
4 PGA bank balance and unrelenting high gas prices, the proposed surcharge is necessary and
5 should be approved now.
6

7 **II. THE NEW PGA SURCHARGE**

8 **A. Surcharge Rate.**

9 The ongoing high cost of natural gas will result in an under-collected PGA bank
10 balance for GCU. GCU had a fixed price contract for 30% of its estimated gas purchases at
11 \$6.87 per dekatherm that expired on February 1, 2008 and a 20% fixed price contract at \$7.77 per
12 dekatherm that expired July 1, 2008. GCU currently has a 20% fixed price contract of \$6.89 per
13 dekatherm that will expire September 1, 2008. GCU's philosophy has been to be at least 50%
14 fixed priced and 50% index priced for its purchased gas before the winter months. However,
15 future gas prices are extremely high compared to historical price levels, especially summer
16 historical price levels, therefore causing very limited fixed price buying opportunities.
17 Consequently, GCU will continue to monitor the futures market so that it can achieve its goal of
18 contracting for 50% or more of its purchased gas during the winter months.
19

20 GCU is currently paying approximately \$9.46 per MMBtu for natural gas on the spot
21 market through July. GCU asked for bids from its natural gas supplier to provide 50 percent of its
22 historical gas purchased at a fixed contract price for a term of six months and twelve months.
23

24 On July 11, 2008, GCU entered a 12 month contract for 20% of its anticipated gas
25 requirements for \$10.98 per dekatherm. On July 11, 2008, GCU entered a 12 month contract for
26

1 20% of its anticipated gas requirements for \$10.98 per dekatherm. Since the date of GCU's
2 original application, natural gas contract prices have decreased. On (Date) GCU has entered a 12
3 month contract beginning September 1, 2008 for 20% of its anticipated gas requirements for
4 \$8.94 per dekatherm. The contracted prices of \$10.98 and \$8.94 were used in the PGA bank
5 balance projections contained in Exhibit A.
6

7 As result of GCU's small size, financial condition and higher gas prices, it has not been
8 able to hedge any of its projected gas sales during the same period. Consequently GCU is facing
9 a considerable shortfall in its recovery of the expected average cost of gas purchased during the
10 high-use winter period.

11 **B. Impact of Surcharge on Residential Bills.**

12 Residential customers of GCU typically use an average 62 therms per month during the
13 winter months (November through March) and 17 therms per month during summer months
14 (April through October). Under the proposed PGA surcharge, a \$.18 per therm surcharge will
15 result in an average increase of \$11.16 to a monthly residential bill in the winter and \$3.06 in the
16 summer.
17

18 **III. CONCLUSION**


19 GCU believes that the PGA surcharge requested herein is necessary to recover gas costs in
20 a timely and reasonable manner, before any additional accumulation of an under-collected PGA
21 bank balance will require an even greater surcharge increase and is in the public interest.
22

23 To the extent it is necessary to extend any time limitations to allow this matter to be heard
24 as soon as possible, GCU stipulates through the filing that those time limitations may be
25 extended.
26

1 Wherefore, for all the foregoing reasons, GCU requests authorization for a new PGA
2 surcharge of \$0.18 per therm for the 12-month period effective October 1, 2008 or if the PGA
3 bank balance reaches zero after February 28, 2009, whichever occurs first to allow for the
4 recovery of the high natural gas prices and the resulting under-collected PGA bank balance.
5

6
7
8 RESPECTFULLY SUBMITTED this 12th day of August 2008.
9

10
11 By _____


John Wallace
Grand Canyon State Electric Cooperative Association
120 North 44th Street, Suite 100
Phoenix, AZ 85034

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13
14
15 Original and thirteen (13) copies of
16 Graham County Utilities, Inc.'s Application
17 filed this 12th day of August, 2008 with:

18 DOCKET CONTROL
19 Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007
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25
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**GRAHAM COUNTY UTILITIES, INC. - GAS
PURCHASED GAS ADJUSTOR SURCHARGE**

EXHIBIT A

HISTORICAL

NATURAL GAS				TRANSPORTATION				SALES	
MONTH	QUANTITY (MMBtu)	PRICE	EXTENDED (MMBtu)	QUANTITY	PRICE	EXTENDED	ATON	INTEREST TOTAL	(THERMS)
Jun-07	7,891	6.8634	54,159	124	6.86	850.64	4,569	(283)	59,295
Jul-07	7,564	6.7443	51,014	194	6.23	1,208.62	3,599	(338)	55,484
Aug-07	7,024	6.294	44,209	235	5.02	1,179.70	3,304	(398)	48,295
Sep-07	7,193	6.6587	47,896	193	4.62	891.66	3,426	(487)	51,727
Oct-07	11,598	6.6107	76,671	386	5.15	1,987.90	5,583	(438)	83,804
Nov-07	22,388	7.1629	160,362	553	6.09	3,367.77	586	(213)	164,103
Dec-07	62,588	6.9159	432,850	1,724	6.53	11,257.72	41,369	618	486,094
Jan-08	61,965	6.8566	424,869	1,808	6.41	11,589.28	29,865	463	466,786
Feb-08	44,262	7.2046	318,890	1,261	7.31	9,217.91	17,544	61	345,712
Mar-08	29,870	7.797	232,895	838	8.12	6,804.56	12,882	2	252,583
Apr-08	16,882	7.8998	133,365	345	8.31	2,866.95	8,240	(8)	144,464
May-08	12,759	8.6323	110,139	372	9.46	3,519.12	6,228	(7)	119,879
Jun-08	10,040	9.1935	92,303	303	9.88	2,993.64	4,900	39	100,236
291,984			2,179,622	8,336		57,735	142,094	(989)	2,378,462
									3,024,405

Base Cost of Gas

0.59056

Contract Price

10.98

Emergency PGA Needed

0.18000

Interest

Rate

2.70%

PROJECTED

NATURAL GAS				TRANSPORTATION				SALES	
MONTH	QUANTITY (MMBtu)	PRICE	EXTENDED (MMBtu)	QUANTITY	PRICE	EXTENDED	ATON	INTEREST TOTAL	(THERMS)
May-08	10,040	9.1935	92,303	303	9.8800	2,993.64	4,900	39	100,196
Jun-08	7,564	10.4660	79,165	194	10.4660	2,030.40	3,599	80	84,794
Jul-08	7,024	7.4900	52,610	235	7.4900	1,760.15	3,304	71	57,674
Aug-08	7,193	9.3480	67,240	193	9.3480	1,804.16	3,426	62	72,471
Sep-08	11,598	9.3480	108,418	386	9.3480	3,608.33	5,583	106	117,609
Oct-08	22,388	9.3480	209,283	553	9.3480	5,169.44	9,030	288	223,482
Nov-08	62,588	9.3480	585,073	1,724	9.3480	16,115.95	41,369	927	642,557
Dec-08	61,965	9.3480	579,249	1,808	9.3480	16,901.18	29,865	894	626,015
Jan-09	44,262	9.3480	413,761	1,261	9.3480	11,787.83	21,646	485	447,195
Feb-09	29,870	9.3480	279,225	838	9.3480	7,833.62	12,882	285	299,940
Mar-09	16,882	9.3480	157,813	345	9.3480	3,225.06	8,240	205	169,278
Apr-09	12,759	9.3480	119,271	372	9.3480	3,477.46	6,228	129	128,976
May-09	10,040	9.3480	93,854	303	9.3480	2,832.44	4,900	114	101,586
Jun-09	7,564	9.3480	70,708	194	9.3480	1,813.51	3,599	82	76,121
Jul-09	7,024	9.3480	65,660	235	9.3480	2,196.78	3,304	56	71,161
Aug-09	7,193	9.3480	67,240	193	9.3480	1,804.16	3,426	(13)	72,471
294,133			2,749,555	8,212		76,766	150,071	3,634	2,976,392
									2,913,541

PGA

BALANCE

WITHOUT

PGA

BALANCE

WITH

PGA

BALANCE

SURCHARGE

RATE

(3,371)

17,273

17,273

35,440

35,440

31,833

31,833

27,830

27,830

64,948

47,023

172,054

128,408

520,719

412,990

618,312

398,307

545,363

216,097

522,328

126,782

523,047

91,517

517,152

57,591

528,976

50,901

529,917

36,444

532,074

24,727

518,500

(5,937)